European Commission - Press release

State aid: Commission approves €10 billion French guarantee scheme to support domestic credit insurance market in coronavirus outbreak

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The European Commission has approved, under EU State aid rules, a €10 billion French guarantee scheme to support the domestic credit insurance market in the context of the coronavirus outbreak.

Executive Vice-President Margrethe **Vestager**, in charge of competition policy, said: *"The €10 billion French guarantee scheme will make sure that domestic trade credit insurance can continue to be issued. This will protect the liquidity needs of French companies and will help them carry on their commercial activities in these difficult times. We continue working closely with Member States to ensure that national support measures can be put in place in a coordinated and effective manner, in line with EU rules."*

The French support measure

France notified to the Commission a State guarantee scheme supporting the insurance of domestic trade affected by the coronavirus outbreak. The total budget of the measure is estimated at €10 billion.

Trade credit insurance protects companies supplying goods and services against the risk of non-payment by their clients. Given the economic impact of the coronavirus outbreak, the risk of insurers not being willing to issue this insurance has become higher. The French scheme ensures that trade credit insurance continues to be available to all companies, avoiding the need for buyers of goods or services to pay in advance, therefore reducing their immediate liquidity needs.

The Commission assessed the measure under EU State aid rules, and in particular Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU), which enables the Commission to approve State aid measures implemented by Member States to remedy a serious disturbance in their economy.

The Commission found that the scheme notified by France is compatible with the principles set out in the EU Treaty and is well targeted to remedy a serious disturbance to the French economy. In particular, (i) the guaranteed insurance products are offered only to compensate for the lack of sufficient private offer, (ii) the guarantee will only be provided until the end of this year, (iii) the guaranteed insurance products can be offered by all credit insurers in France, (iv) the guarantee mechanism ensures risk sharing among its users, and (v) guarantee fee premiums provide a sufficient remuneration for the French State.

The Commission therefore concluded that the measure will contribute to managing the economic impact of the coronavirus in France.It is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the general principles set out in the Temporary Framework adopted by the Commission on 19 March 2020, as amended on 3 April 2020.

On this basis, the Commission approved the measures under EU State aid rules.

Background

In case of particularly severe economic situations, such as the one currently faced by all Member States and the UK due the coronavirus outbreak, EU State aid rules allow Member States to grant support to remedy a serious disturbance to their economy. This is foreseen by Article 107(3)(b) TFEU of the Treaty on the Functioning of the European Union.

On 19 March 2020, the Commission adopted a State aid Temporary Framework based on Article 107(3)(b) TFEU to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. The Temporary Framework, as amended on 3 April 2020, provides for the following types of aid, which can be granted by Member States: (i) Direct grants, equity injections, selective tax advantages and advance payments; (ii) State guarantees for loans taken by companies; (iii) Subsidised public loans to companies; (iv) Safeguards for banks that channel State aid to the real economy; (v) Public short-term export credit insurance;(vi) Support for coronavirus related research and development (R&D); (vii) Support for the construction and upscaling of testing facilities; (viii) Support for the production of products relevant to tackle the coronavirus outbreak; (ix) Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions; (x) Targeted support in the form of wage subsidies for employees.

The Temporary Framework will be in place until the end of December 2020. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.This complements the many other possibilities already available to Member States to mitigate the socio-economic impact of the coronavirus outbreak, in line with EU State aid rules. On 13 March 2020, the Commission adopted a Communication on a Coordinated economic response to the COVID-19 outbreak setting out these possibilities. For example, Member States can make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State Aid rules. They can also grant compensation to companies for damage suffered due to and directly caused by the coronavirus outbreak.

The non-confidential version of the decision will be made available under the case number SA.56903 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

More information on the temporary framework and other action the Commission has taken to address the economic impact of the coronavirus pandemic can be found here.

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